

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AGR-20 SWF-02 NSCE-00 SP-03 AID-20

EB-11 NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 PM-07 L-03 H-03 DODE-00

PA-04 USIA-15 PRS-01 DRC-01 SAJ-01 SAM-01 NIC-01 /187 W

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FM USLO PEKING

TO SECSTATE WASHDC 2057

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD EAGR CH US

SUBJECT: U.S.-CHINA GRAIN TRADE--CARGILL/TRADAX REPRESENTATIVES
IN PEKING

1. JAKE MERMEGAN AND RICHARD DUNCAN OF CARGILL/TRADAX
ARRIVED IN PEKING JULY 3 FOR DISCUSSIONS WITH THE CHINA
NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT EXPORT
CORPORATION (CEROILFOOD) REGARDING (A) SETTLEMENT OF TCK
PROBLEM AND RESUMED SHIPMENTS OF BALANCE OF EXISTING WHEAT
CONTRACT; (B) NEGOTIATION OF CARGILL DEMURRAGE CLAIMS AND
CHINESE COUNTER-CLAIMS ARISING OUT OF PAST WHEAT SHIPMENTS;
AND (C) POSSIBLE NEGOTIATION OF A NEW WHEAT SALE TO CHINA.

2. IN A CALL AT USLO JULY 5, THE CARGILL/TRADAX OFFICIALS
SAID THEY HAD REACHED AGREEMENT THAT MORNING ON THE SAME
FORMULA FOR SETTLEMENT OF THE TCK DISPUTE AS DID DREYFUS
AND COOK: 8.E. A WRITTEN MEMORANDUM SUBMITTED BY CARGILL
DESCRIBING NEW MEASURES ON U.S. SIDE TO PREVENT
RECURRENCE OF TCK CONTAMINATED SHIPMENTS AND AN UNWRITTEN
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UNDERTAKING BY CEROILFOOD THAT IT WILL NOT REJECT OCCASIONAL

SHIPMENTS IN WHICH TCK MAY BE FOUND. CARGILL IS CONCERNED ABOUT POSSIBLE STRICTNESS OF THE CHINESE INTERPRETATION OF "OCCASIONAL" WHICH CEROILFOOD NEGOTIATOR SHIH INDICATED MIGHT MEAN ONLY ONE OF OF ABOUT 20 SHIPMENTS. FOUR OR FIVE CONTAMINATED CARGOES, SHIH SAID, WOULD BE TOO MUCH FOR THE CHINESE TO ACCEPT. HOWEVER, CARGILL IS GOING AHEAD AND WILL NOW RESUME DELIVERIES TO CHINA OF THE 75,000 TONS BALANCE OF THEIR EXISTING CONTRACT. IN THE FUTURE, ANY PRICES THE FIRM MAY QUOTE FOR NEW SALES TO THE PRC WILL TAKE INTO ACCOUNT THE RISK OF POSSIBLE CHINESE REJECTIONS, THE CARGILL OFFICIALS SAID.

3. THE SETTLEMENT OF DEMURRAGE AND CHINESE COUNTER-CLAIMS COULD BE DIFFICULT, BUT THE CARGILL/TRADAX OFFICIALS HOPE THIS MAY BE SETTLED IN THE CONTEXT OF A NEW CHINESE WHEAT PURCHASE. CEROILFOOD, THEY SAID, HAS STRONGLY HINTED, BUT DID NOT SAY EXPLICITLY, THAT IT WOULD LIKE TO BUY MORE.

4. MERMAGEN AND DUNCAN BELIEVE THAT DREYFUS RECENTLY MADE A NEW SALE OF 500 TO 600 THOUSAND TONS OF U.S. WHEAT TO CHINA AND THEY SUSPECT THAT JACQUES LANG OF COOK INDUSTRIES/UNION GRANIERE WHO JUST LEFT PEKING AFTER A THREE WEEK STAY ALSO HAD BEEN DISCUSSING A NEW SALE.
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